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SHOULD THE GOVERNMENT OWN THE TELEGRAPH?

THE United States Government, since its foundation, has assumed the business of carrying letters and newspapers for the people. It is not necessary to argue the constitutional right, or the business propriety of this proceeding. As telegraphing is a modern form of the same service, it is remarkable that the government has permitted it to fall into the hands of private companies or monopolies. In Europe, telegraphy is almost exclusively under the management of the various governments. The first telegraphic line in the United States was constructed, owned and operated by the government. At the present time the United States erects and operates an extensive military telegraph system. These long extended and but partially used lines stretch from point to point between military posts and stations. In other words, the profitable part of telegraphing has fallen into the hands of private companies, while the most expensive and yet necessary portions of the telegraph system are maintained at very considerable cost by the government. In this way the remote or thinly settled parts of the country are deprived of telegraphic communication, and great stretches of the settled country but indifferently supplied, since it is not profitable for private enterprise to build lines in these localities. To the above may be added the still more serious objection, that under the existing system, the telegraph companies, and in combination with them the news companies, make a private monopoly of news, and are able to control its transmission to the public.

Britain, which has a similar postal organization, allowed telegraphy, when first introduced, to fall into the hands of private companies. Becoming convinced that telegraphy properly belonged to the postal system, an Act of Parliament was passed in 1868, providing that the "plant and trade" of telegraph companies should be negotiated for and paid in three per cent. consols. The

act required the post-office officials, after ascertaining what a twenty-years' purchase of profits would be, to debit the companies certain amounts for the depreciation in their "plant." The report of the Chancellor of the Exchequer for 1871 shows that up to that time the Government purchased the interest of some twenty companies. The estimated profit value was £6,215,000, from which £500,000 was deducted for depreciation of the "plant."

From Mr. Scudamore's report we learn that the principal results sought to be accomplished were : the reduction and simplification of charges for the transmission of messages throughout the British kingdom ; the extension of wires from railway stations lying outside the town populations to post offices in the center of such populations ; the extension of wires already carried into large cities to many points within them and to the suburbs thereof ; the extension of wires into rural populations not having telegraphic communication. It was also designed to make a complete separation of the commercial and the railway telegraph system, to relieve the former. Another important purpose was to secure a perfect freedom in the collection and transmission of news, at a low rate, no matter by whom or by how many agencies it might be collected and transmitted. The evidence had shown, as it probably would in this country, that telegraph companies and news companies, in combination, not only make a monopoly in the trade of news, but by a process called "editing news," actually exercised, or were able to exercise, a censorship as to what news could be sent.

The Act of Parliament of 1868 fixed the rate of one shilling for twenty words, to all distances. In Mr. Scudamore's report for June 3, 1871, he states that after the government had furnished an enormous increase of new telegraph facilities to the public, "the net revenue was much more than the charge for capital invested," or interest charges. It is well to trace the experiment a little further. The British Postmaster-General's report for March 31, 1875, shows that the net earnings of this postal telegraph system for the fiscal year ending March 31, 1871, were £303,456 13s. 6d. ; on March 31, 1872, £159,834 13s. 8½d. ; March 31, 1873, £103,120 2s. 8¾d. ; March 31, 1874, £90,033 6s. 11½d. ; in 1875, £36,725. That official says in his report that it will be necessary to reduce expenses, increase charges, or consent that the telegraph department shall become a permanent charge.

During the first year of government telegraphy, only nine mill-

ion eight hundred and fifty thousand messages were sent, and in 1875, nineteen million two hundred and fifty-three thousand. As an offset to this falling off in revenue it must be remembered that there had been a great reduction in the telegraphic charges to the public. Mr. Scudamore estimates that this reduction was not less than £300,000 per year. There was also a very heavy business in telegraphing for all the departments of the government, which was not paid for until within a few years, the effect of crediting the telegraph service with this amount being to bring this department nearer a paying basis.

Mr. Bain, writing in 1856, states that at that time, out of 730 post offices, only 260 had telegraph stations. The Postmaster-General's report for 1872 shows 3,444 stations, and in 1874, 3,692 stations. Of the latter more than 500 did not pay office expenses. A considerable portion of the income derived from British postal telegraphy has been expended in extending the lines and increasing their facilities for business, being in this way investments in "plant." Extraordinary expenses were incurred for cable and other connections and experiments. One cause of heavier expenditure connected with its administration was increased salaries to the operators and employees. On the incorporation of telegraphy with the postal system it was deemed an act of justice to raise the wages the operators had received from the telegraph companies and put them on the same footing as employees of the Post-office Department. Upon the whole, the British public have been greatly benefited, and have lost nothing pecuniarily by the change.

For many years efforts have been made in Congress to add a complete system of telegraphy to the Post-office Department. Many bills have been introduced, investigations carried on and reports made looking to this end. If the question is asked why these efforts have failed, it may be replied that the chief stumbling block in the way has been the imaginary vested rights of the great corporations which now control telegraphy in the United States.

Three general plans or modes for securing postal telegraphy have been proposed. First, that the government construct, own and operate a complete telegraphic branch of the Post-office Department. Second, that the government should buy out existing lines of telegraph, and extend them until telegraphic communication was universal. Third, that the post offices be created telegraph offices, and all existing lines leased or hired, under contract,

as the government does in transporting mail matter by railroad, steamboat, stage or horseback.

It is obvious that there would be serious objections to the latter plan. The government would have to construct all the new extensions needed, or hire men to construct them. There could be but little competition in hiring or leasing these lines. Erecting telegraph lines should be a public function, as they can be better built and protected by public authority than private enterprise. One advantage of government telegraphy being to take from private parties all connection with its management, and also to avoid the dangers of monopoly, the government should have the lines completely in its own hands.

There remain the other two propositions—buying out existing lines, or erecting new ones. When the subject has been before House and Senate committees the representatives of existing telegraph companies have assumed that the government had no right to consolidate telegraphy with the postal system until it had taken all existing telegraph property off the hands of the present holders. They also demanded the fictitious price put on the property by them.

All persons engaged in business, not protected by the monopoly of a patent, know and act upon the knowledge that they are exposed to the competition of other persons and the government authorities. If we are to assume that the government has no right to exercise what would be a legitimate public function, it would be necessary, before improving the navigation of a great river between States, to buy up all the express companies and common carriers on its banks. If there are vested rights in business, no man would be able to open a shop without indemnifying all who might be injured by his competition. There is, however, another subject to consider. The government not only carries our letters, but makes it a penal offense for any person or company to carry them. If this exclusive privilege was a part of government postal telegraphy, we would legislate out of existence property now in use. That we could not equitably do without fair indemnification. We might, it is true, create an independent government telegraph system, and leave every person at liberty to compete or carry on the telegraphic business. One great object of government telegraphy is a low uniform rate ; for instance, that a message should be carried to any post office in the country and delivered for five or ten cents

for each ten words. At the latter rate, they could probably be transmitted through the heavily populated and commercial portions of the country, leaving the expense of carrying on telegraphy in more remote or thinly settled districts to become, as in the case of the post office, a public charge. To such a plan the telegraph companies interpose another objection. If the government built lines on money or bonds paying two and a half or three per cent., and only charged such a price for the messages as would pay interest and current expenses, private companies would not realize their present profits, and could not compete at all with the lines supported by government.

In the United States telegraphy by private corporations has continually tended to monopoly. There are only two telegraph companies which do general business to any extent, and, as a widespread institution, practically only one. Fair competition does not exist. When a new company starts it is bought out or *trampled* out. An examination of Report No. 577, 1st Session, 48th Congress, shows that on May 27, 1884, the stock capital of the Western Union was \$80,000,000, the bonded debt \$6,224,176, and its annual obligations to leased lines in the country equal, if capitalized, to a debt of \$8,800,000. Of its stock capital the committee says: "Nearly the whole of it has arisen from stock dividends and from purchases of the lines of other companies, which were paid for by issues of stock." This report also says: "In 1863 its stock capital was only \$3,000,000, and even of that amount, small as it seems in comparison with the present stock capital of \$80,000,000, it is quite certain that at least five-sixths of it consisted of what is known in stock manipulations as 'water.'" I quote further from the report: "In respect to the issue of stock for purchases of other lines, the prices paid have no relation either to the cost or the earning capacity of the property." From the voluminous testimony taken by the committee, it appears that the Western Union at that time had 348,819 miles of wire; and, in addition, 82,909 miles leased or controlled by it—a total of 431,728 miles. The report estimates "the actual cost at \$70 per mile, including wire, posts, construction and the instruments for telegraphing." In this way the committee places the cost of the entire lines at \$30,220,960, and they further say that of these only 350,000 miles are absolutely necessary on these lines for the business of telegraphing, *the cost being* \$24,500,000. The total share debt and rental capital is

\$95,024,176, and as the dividends on the stock part are at the rate of 7 per cent., it requires a net profit in order to pay the annual charges of \$6,594,911.

The report of the Western Union for the year ending June 30, 1883, shows 40,581,177 messages, with receipts of \$19,454,902, which would average about 48 cents per telegram. By the testimony of Mr. Hubbard it is shown that part of this is for service not rendered in this country, and that the amount should have been \$15,442,902, or about 38 cents per telegram. The testimony of the president of the company puts it at \$16,200,000, or about 40 cents per telegram. The evidence shows that at that time the actual cost of each telegram was a small fraction over 23 cents. The committee were of the opinion that some of the items of expenditure were too great, and that the expense might have been reduced to 19 cents per telegram.

It will thus be seen that if we are to buy the property at the inflated nominal price of ninety-five million dollars (upward of one hundred millions now), that we shall *pay three or four times what it cost when it was new*. If, on the other hand, we buy the property on an estimate of the capitalized value of its profits, the price would be still higher. The average Congressman to whom these propositions are made is not inclined to buy property at a profit valuation, when the vendor has the power to fix his profits at what he pleases, or to buy at par seventy-five millions of watered stock. The most he has proposed to do is to pay existing companies the actual cost on their property, minus tear and wear, or, failing in that, on due notice to build new lines.

The transfer of telegraphy to the postal department of the government involve ascertain general principles that are only beginning to be understood. A government postal telegraphy is supposed to mean a low uniform rate, on the principle that each citizen ought to have his telegrams, like his postage, carried at a minimum rate, no matter what the distance. If messages of ten words were delivered at every post office for five or ten cents, the question occurs, is it equitable to tax the short-distance messages with the expense of the long-distance messages? Again, numberless new telegraph offices would be created that would not even pay office expenses. Is it equitable to charge this expenditure to current income? If the tariff of telegraphy is fixed at the lowest rate government could transmit short-line messages for, and the deficiency caused by more

expensive telegrams is charged to the general public, two things occur ; first, the telegraphy of the remote sections becomes a public charge ; and second, the business is conducted so as to destroy all competition. If, on the other hand, the government should fix a uniform rate, say of nineteen cents, on the discovery that this amount, if equalized, would pay for the whole service, and permit free competition, the result would be that private companies would monopolize the lines where telegrams could be carried for nineteen cents at a profit, and the government would get all the rest. In other words, there seems to be no practicable common ground between public and private telegraphy.

That the government should own and control telegraphy in the public interests is undoubtedly true. The post office has been one of the most beneficent departments of the government. The money annually appropriated for it does the people more good than any other public money that is expended. In spite of all that has been written about the expense and extravagance of any business managed by government, it is extremely doubtful if there is another branch of business, public or private, that is more economically administered. Let the proposal be made to turn the post-office business over to private enterprise and competition, and in less than a year after such a thing was done we would see our postal service drift into the hands of some great monopoly, the grossest abuses of this semi-public trust in the hands of the corporations that would control it, and the unprofitable post offices neglected or abandoned. Every word applied to the postal system applies to telegraphy. Government can best extend and protect it. Government alone can make and enforce laws for its complete sanctity. Telegraph offices should be isolated, and none but sworn officers be allowed to hear the "tickers." The most severe penalties should guard its secrets, not only from parties outside of sender and receiver, but from *government officers*. News should be carried at a uniform low rate to all who chose to collect and send it. There should be a perfect equality of telegraphic as of postal privilege.

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